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LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/20/06

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA

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DYER & VICKNAIR

(CERTIFIED PUBLIC ACCOUNTANTS)

ERIC J. VICKNAIR, CPA (APC)

GLYNN R. DYER, CPA (APC), (RETIRED)

INDEPENDENT AUDITORS' REPORT

Louisiana State Board of Private Security Examiners
Department of Public Safety and Corrections
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA

a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of Louisiana State Board of Private Security Examiners' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Louisiana State Board of Private Security Examiners as of June 30, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 2006, on our consideration of Louisiana State Board of Private Security Examiners' internal control over financial reporting and our tests of its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

(SEND ALL CORRESPONDENCE TO THE BATON ROUGE ADDRESS)

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DYER & VICKNAIR

(CERTIFIED PUBLIC ACCOUNTANTS)

Management's discussion and analysis, on pages 3 through 6, is not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the accompanying basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Louisiana State Board of Security Examiners. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baton Rouge, Louisiana
August 8, 2006

Dyer & Vicknair

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Louisiana State Board of Private Security Examiners' financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2006. Read it in conjunction with the Board's financial statements.

FINANCIAL HIGHLIGHTS

The Board's assets exceeded its liabilities by \$418,679 (net assets), which represents a 29% increase from June 30, 2005.

Total net assets are comprised of the following:

1. Capital assets, net of related debt, of \$245,255 include land, building, automobile and office equipment, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital assets.
2. Unrestricted net assets of \$173,424 represent the portion available to maintain the Board's continuing obligations.

Total liabilities of \$272,461 are comprised of the following:

1. Current liabilities of \$86,242
2. Long term debt outstanding of \$147,573
3. Other non-current liabilities of \$38,646

During the year, operating revenues increased by \$206,015 or 37% to \$761,178 and operating expenses increased by \$60,940 or 11% to \$639,710.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Board is engaged only in business-type activities. The basic financial statements include enterprise fund financial statements, notes to the financial statements and additional information to supplement the basic financial statements.

Enterprise Fund Financial Statements

The Board's annual report includes three financial statements. These statements are prepared on the accrual basis of accounting which is similar to the accounting used by most private-sector companies.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The first of these financial statements is the Statement of Net Assets. This is the statement of position presenting information that includes all of the Board's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator if the Board's financial health is improving or deteriorating.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Board's assets changed as a result of current year operations. All current year revenues and expenses are included regardless of when cash is received or paid.

The third financial statement is the Statement of Cash Flows which reports how cash changed as a result of current year operations.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

Financial Analysis of the Board as a Whole

The following provides a summary of the Board's net assets:

	June 30,	
	2006	2005
Current assets	\$ 298,312	\$ 147,857
Capital assets, net of depreciation	392,828	405,111
<u>Total assets</u>	<u>691,140</u>	<u>552,968</u>
Current liabilities	86,242	168,463
Long-term debt	147,573	
Other liabilities	38,646	58,740
<u>Total liabilities</u>	<u>272,461</u>	<u>227,203</u>
Net assets		
Invested in capital assets, net of related debt	245,255	236,648
Unrestricted	173,424	89,117
<u>Total net assets</u>	<u>418,679</u>	<u>325,765</u>

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following provides a summary of the Board's changes in net assets.

	Year Ended June 30,	
	2006	2005
<u>Revenues</u>		
Operating revenues	\$ 761,178	\$ 555,163
Non-operating revenues	1,421	1,353
<u>Total revenues</u>	<u>762,599</u>	<u>556,516</u>
<u>Expenses</u>		
Operating expenses	651,200	578,770
Non-operating expenses	18,485	16,050
<u>Total expenses</u>	<u>669,685</u>	<u>594,820</u>
<u>Increase (decrease) in net assets</u>	92,914	(38,304)
<u>Beginning net assets</u>	<u>325,765</u>	<u>364,069</u>
<u>Ending net assets</u>	<u>418,679</u>	<u>325,765</u>

BUDGETARY HIGHLIGHTS

The original budget was revised once during the year.

Revenues exceeded budgetary estimates by \$28,119 and expenses exceeded budgetary estimates by \$24,219.

CAPITAL ASSETS

At June 30, 2006, the Board had \$245,255 invested in capital assets, net of accumulated depreciation. The Board's capital assets are comprised of land, building, automobile and office equipment.

DEBT

At June 30, 2005, the Board had \$147,573 in notes outstanding versus \$168,463 last year, a decrease of 12%.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the year ending June 30, 2007, the Board approved a total budget of \$606,000, an increase of 17% over the June 30, 2006 budget. Budgeted expenditures are expected to increase 21% to \$606,000 from \$501,126 in the year ending June 30, 2007.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Board's finances and demonstrate the Board's commitment to public accountability. If you have any questions about this report, contact the Board's office at 15703 Old Hammond Highway, Baton Rouge, Louisiana 70816.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETSCurrent assets

Cash and cash equivalents	\$ 298,312
---------------------------	------------

Non-current assets

Capital assets, net of depreciation	392,828
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<u>Total assets</u>	<u>691,140</u>
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LIABILITIESCurrent liabilities

Accounts payable	78,187
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Accrued expenses	8,055
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Notes payable - current	22,495
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<u>Total current liabilities</u>	<u>108,737</u>
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Non-current liabilities

Compensated absences payable	38,646
------------------------------	--------

Notes payable - non-current	125,078
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<u>Total non-current liabilities</u>	<u>163,724</u>
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<u>Total liabilities</u>	<u>272,461</u>
--------------------------	----------------

NET ASSETS

Invested in capital assets, net of related debt	245,255
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Unrestricted	173,424
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<u>Total net assets</u>	<u>418,679</u>
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The notes to the basic financial statements are an integral part of this statement.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2006

OPERATING REVENUES

Licenses and fees	<u>\$ 761,178</u>
<u>Total operating revenues</u>	<u>761,178</u>

OPERATING EXPENSES

Personal services and related benefits	467,955
Operating services	61,632
Professional services	69,283
Materials and supplies	13,622
Travel	2,283
Depreciation	9,179
Capital outlay	<u>27,246</u>

<u>Total operating expenses</u>	<u>651,200</u>
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<u>Operating income</u>	<u>109,978</u>
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NON-OPERATING REVENUES (EXPENSES)

Investment earnings	1,421
Interest expense	(15,381)
Loss on disposition of asset	<u>(3,104)</u>

<u>Total non-operating revenues (expenses)</u>	<u>(17,064)</u>
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<u>Change in net assets</u>	92,914
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<u>TOTAL NET ASSETS, beginning of the year</u>	<u>325,765</u>
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<u>TOTAL NET ASSETS, end of the year</u>	<u><u>418,679</u></u>
--	-----------------------

The notes to the basic financial statements are an integral part of this statement.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING EXPENSES

Cash received from customers	\$ 761,178
Cash payments to suppliers and employees for goods and services	<u>(575,873)</u>
<u>Net cash provided by operating activities</u>	<u>185,305</u>

CAPITAL FLOWS FROM CAPITAL AND RELATED FINANCING

Principal paid on note	(20,890)
Interest paid on note	<u>(15,381)</u>
<u>Net cash provided by capital and related financing activities</u>	<u>(36,271)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on cash and cash equivalents	<u>1,421</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 150,455

CASH AND CASH EQUIVALENTS, beginning of year 147,857

CASH AND CASH EQUIVALENTS, end of year 298,312

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income	\$ 109,978
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	9,179
Changes in net assets and liabilities:	
Increase (decrease) in accounts payable	52,922
Increase (decrease) in accrued expenses	(945)
Increase (decrease) in compensated absences	<u>14,171</u>
<u>Net cash used by operating activities</u>	<u><u>185,305</u></u>

The notes to the basic financial statements are an integral part of this statement.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

INTRODUCTION

The Louisiana State Board of Private Security Examiners (the Board) is a component unit of the State of Louisiana created as provided by Louisiana Revised Statutes (R.S.) 37:3270-3298 within the Louisiana Department of Public Safety and Corrections. The Board is composed of nine members appointed by the governor, who serve for five years. The Board is charged with reviewing credentials of applicants for licensure, licensing those candidates who meet qualifications, and investigating complaints. Operations of the Board are funded entirely through self-generated revenues.

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of Louisiana State Board of Private Security Examiners have been prepared in conformity with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. In conformance with GASB Codification Section 2100, the Board is a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the Board members and public service is rendered within the state's boundaries. The accompanying basic financial statements present only the transactions of Louisiana State Board of Private Security Examiners, a component unit of the State of Louisiana.

C. Method of Accounting

Statement No. 34 ("*Statement 34*") of the Government Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*," established standards for external financial reporting for all state and local government entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and, unrestricted. These classifications are defined as follows:

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STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
(Continued)

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The financial statements of the Board are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board (GASB) Statement No. 20, the Board has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

D. Capital Assets

Capital assets, which includes land, building, automobile and equipment are valued at historical cost. Repairs and maintenance are recorded as expenses.

Assets capitalized have an original cost of \$ 5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight line method. Estimated useful lives are follows:

Building	25 years
Automobile	5 years
Equipment	5 years

E. Encumbrances

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the application, is not employed.

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DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
(Continued)

F. Cash and Investments

Cash includes cash and demand deposits. Under state law, the Board may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

Under state law, the Board may invest in United States bonds, treasury notes, or certificates.

The Board considers time deposits and investments with an original maturity of ninety days or less to be cash equivalents. If the original maturities exceed ninety days, they are classified as investments.

G. Compensated Absences Payable

The Board accrues its liabilities for earned but unpaid vacation and compensatory time.

H. Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

I. Statement of Cash Flows

For purposes of the statements of cash flows, the Board considers all currency, demand deposits and money market accounts with banks or other financial institutions to be cash equivalents.

NOTE #2: LEGAL COMPLIANCE - BUDGET

The Board adopts a budget for the year. Formal budget integration is employed as a management control device during the year. Although appropriations lapse at the end of the year, the Board returns its unexpended fund balance to fund expenditures of the succeeding year. Budgetary amendments require the approval of the Board. The budgeted amounts are not reflected in the financial statements.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
(Continued)

NOTE #3: CASH AND CASH EQUIVALENTS

At June 30, 2006, the Board has cash (book balances) totaling \$298,312 invested in interest and non-interest bearing demand deposits.

The deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the federal government.

At June 30, 2006, the Board has \$258,711 in deposits (collected bank balances).

Custodial risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a deposit policy for custodial credit risk. At June 30, 2006, \$158,711 of the bank balances were exposed to custodial credit risk.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
 (Continued)

NOTE #4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Disposition	Balance June 30, 2006
Capital assets not being depreciated				
Land	\$ 90,000			\$ 90,000
Capital assets being depreciated				
Building	356,270			356,270
Automobile	30,641			30,641
Equipment & furniture	28,506		\$ 18,165	10,341
Total	415,417	\$ 0	18,165	397,252
Less:				
depreciation				
Building	44,535	8,907		53,442
Automobile	30,641	0		30,641
Equipment & furniture	25,130	272	15,061	10,341
Total	100,306	9,179	15,061	94,424
Total capital assets being depreciated, net	315,111	(9,179)	(3,104)	302,828
Total capital assets	405,111	(9,179)	(3,104)	392,828

NOTE #5: NOTE PAYABLE

Note payable at June 30, 2006 is an installment note dated June 7, 2001, in the original amount of \$241,000 and a current balance of \$147,573. An office building secures the note. The note is payable in 120 monthly installments of \$3,137 at 9.5% interest. The note matures on July 7, 2011.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
(Continued)

The following is a summary of note payable transactions for the year ended June 30, 2006:

<u>Balance</u> <u>June 30,</u> <u>2005</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30,</u> <u>2006</u>
\$ 168,463	\$ 20,890	\$ 147,573

The annual aggregate maturities for the years subsequent to June 30, 2006, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 22,495	\$ 15,147	\$ 37,642
2008	24,729	12,913	37,642
2009	29,565	8,077	37,642
2010	32,916	4,726	37,642
2011	35,033	2,609	37,642
Thereafter	2,835	302	3,137
Totals	<u>147,573</u>	<u>43,774</u>	<u>191,347</u>

NOTE #6: COMPENSATED ABSENCES PAYABLE

The following is a summary of the compensated absences transactions for the year ended June 30, 2006:

Balance, June 30, 2005	\$ 24,475
Increase in liability	<u>14,171</u>
Balance, June 30, 2006	<u>38,646</u>

NOTE # 7 RETIREMENT SYSTEM

Substantially all eligible full-time employees of the Board are members of the Louisiana State Employees Retirement System (LASERS), a single-employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
(Continued)

option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) before July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for those members is limited to age 60, or thereafter, upon attainment of ten years of credible service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006 are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hire on or after July 1, 2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years service. The System also provides death and disability benefits and deferred benefit options., within qualifications and amounts define by statute. Benefits are established or amended by state statue. The System issues an annual publicly available financial report description of the LASERS defined benefit plan, please refer to LASERS 2005 Financial Statements, specifically footnotes A-Plan Description and C-Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute with the single largest group ("regular members") contributing 7.5% of gross salary, and the Board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2006 increased to 19.1% of annual covered payroll from 17.8% and 15.8% required in fiscal years ended June 30, 2005 and 2004, respectively. The Board contributions to the System for the years ending June 30, 2006, 2005, and 2004, were \$ 58,414, \$54,744, and \$ 40,119 respectively, equal to the required contributions for each year.

NOTE #8: DEFERRED COMPENSATION PLAN

Eleven employees of the Board participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the plan are included in the separately issued audit report for the plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804.

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DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
(Continued)

NOTE #9: LITIGATION

There were no judgments, claims or similar contingencies pending against the Board at June 30, 2006.

NOTE #10: POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board has no retired employees receiving post-retirement health care and life insurance benefits.

NOTE #11: PER DIEM

Board members are not paid per diem for attendance at board meetings.

DYER & VICKNAIR

(CERTIFIED PUBLIC ACCOUNTANTS)

ERIC J. VICKNAIR, CPA (APC)

GLYNN R. DYER, CPA (APC), (RETIRED)

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Louisiana State Board of Private Security Examiners
Department of Public Safety and Corrections
State of Louisiana
Baton Rouge, Louisiana

We have audited the basic financial statements of

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS STATE OF LOUISIANA BATON ROUGE, LOUISIANA

as of and for the year ended June 30, 2006, and have issued our report thereon dated August 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana State Board of Private Security Examiners' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana State Board of Private Security Examiner's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control on financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

(SEND ALL CORRESPONDENCE TO THE BATON ROUGE ADDRESS)

2933 BRAKLEY DRIVE, SUITE B
564 FERDINAND STREET

BATON ROUGE, LOUISIANA 70816
ST. FRANCISVILLE, LOUISIANA 70775

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PHONE: (225) 635-4204

DYER & VICKNAIR

(CERTIFIED PUBLIC ACCOUNTANTS)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. By provision of state law, this report is a public document and it has been distributed to appropriate public officials.

There was one comment concerning compliance or internal control noted in the audit for the year ended June 30, 2005 and this is addressed in the summary schedule of prior audit findings.

Baton Rouge, Louisiana
August 8, 2006

Dyer & Vicknair

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
SUMMARY OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006

SUMMARY OF AUDITORS' REPORT

An unqualified opinion was issued on the basic financial statements for the year ended June 30, 2006.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No reportable conditions were disclosed by our audit.

No material noncompliance was disclosed by our audit.

No material findings were disclosed by our audit.

MANAGEMENT LETTER

A management letter was not issued as part of this audit.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006

During the audit of the year ended June 30, 2005 it was noted that actual expenditures for the year exceeded budgeted expenditures by more than 5% in total, which was a violation of the Licensing Agency Budget (LSA-RS 39:1331.42).

During the year ended December 31, 2006 the original budget was properly amended to ensure that actual expenditures did not exceed budgeted expenditures by more than 5% in total.

SUPPLEMENTAL INFORMATION

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA

ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR
DIVISION OF ADMINISTRATION OFFICE OF STATEWIDE REPORTING
AND ACCOUNTING POLICY AS OF AND FOR
THE YEAR ENDED JUNE 30, 2006

The following supplemental information presents the financial position of Louisiana State Board of Private Security Examiners as of June 30, 2006, and the results of its operations for the year then ended. The information is presented in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Fiscal Report.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2006

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STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2006

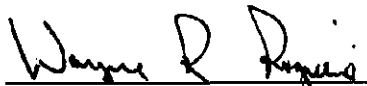
LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

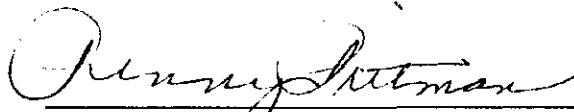
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Wayne Rogillio, Executive Secretary of Louisiana State Board of Private Security Examiners who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana State Board of Private Security Examiners at June 30, 2006 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 23RD day of AUGUST, 2006.



Signature of Agency Official


NOTARY PUBLIC

PENNY PITTMAN
NOTARY PUBLIC
NOTARY ID NO. 010089
PARISH OF EAST BATON ROUGE
STATE OF LOUISIANA

Prepared by: Eric J. Vicknair

Title: CPA

Telephone No.: 225-292-1040

Date: August 8, 2006

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
BALANCE SHEET
AS OF JUNE 30, 2006**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$	298,312
Investments (Note C2)		
Receivables (net of allowance for doubtful accounts)(Note U)		
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		
Notes receivable		
Other current assets		
Total current assets		298,312

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		
Investments		
Receivables		
Notes receivable		
Capital assets (net of depreciation)(Note D)		
Land		90,000
Buildings and improvements		302,828
Machinery and equipment		0
Infrastructure		
Construction in progress		
Other noncurrent assets		
Total noncurrent assets		392,828
Total assets	\$	691,140

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	86,242
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Notes payable		22,495
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		108,737

NON-CURRENT LIABILITIES:

Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		38,646
Capital lease obligations (Note J)		
Notes payable		125,078
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total long-term liabilities		163,724
Total liabilities		272,461

NET ASSETS

Invested in capital assets, net of related debt		245,255
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		
Unrestricted		173,424
Total net assets		418,679
Total liabilities and net assets	\$	691,140

The accompanying notes are an integral part of this financial statement.
Statement A

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXMAINERS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

OPERATING REVENUES

Sales of commodities and services	\$	
Assessments		
Use of money and property		
Licenses, permits, and fees		761,178
Other		
Total operating revenues		761,178

OPERATING EXPENSES

Cost of sales and services		
Administrative		642,021
Depreciation		9,179
Amortization		
Total operating expenses		651,200
Operating income(loss)		109,978

NON-OPERATING REVENUES(EXPENSES)

State appropriations		
Intergovernmental revenues (expenses)		
Taxes		
Use of money and property		1,421
Gain (loss) on disposal of fixed assets		(3,104)
Federal grants		
Interest expense		(15,381)
Other		
Total non-operating revenues(expenses)		(17,064)

Income(loss) before contributions and transfers		92,914
---	--	--------

Capital contributions

Transfers in

Transfers out

Change in net assets		92,914
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Total net assets – beginning as restated		325,765
--	--	---------

Total net assets – ending	\$	418,679
---------------------------	----	---------

The accompanying notes are an integral part of this financial statement.

Statement B

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXMAINERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues			Net (Expense)
			Operating	Capital	Revenue and
		Charges for	Grants and	Grants and	Changes in
	Expenses	Services	Contributions	Contributions	Net Assets
Business - type					
activities	\$ 669,685	\$ 761,178	\$	\$	\$ 91,493
General revenues:					
Taxes					
State appropriations					
Grants and contributions not restricted to specific programs					
Interest					1,421
Miscellaneous					
Special items					
Transfers					
Total general revenues, special items, and transfers					1,421
Change in net assets					92,914
Net assets - beginning					325,765
Net assets - ending					\$ 418,679

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

Cash flows from operating activities

Cash received from customers	\$	761,178	
Cash payments to suppliers for goods and services		(262,665)	
Cash payments to employees for services		(313,208)	
Payments in lieu of taxes			
Internal activity-payments to other funds			
Claims paid to outsiders			
Other operating revenues(expenses)			
Net cash used by operating activities			<u>185,305</u>

Cash flows from non-capital financing activities

State appropriations			
Proceeds from sale of bonds			
Principal paid on bonds			
Interest paid on bond maturities			
Proceeds from issuance of notes payable			
Principal paid on notes payable			
Interest paid on notes payable		(15,381)	
Operating grants received			
Other			
Transfers In			
Transfers Out			
Net cash provided(used) by non-capital financing activities			<u>(15,381)</u>

Cash flows from capital and related financing activities

Proceeds from sale of bonds			
Principal paid on bonds			
Interest paid on bond maturities			
Proceeds from issuance of notes payable			
Principal paid on notes payable		(20,890)	
Interest paid on notes payable			
Acquisition/construction of capital assets			
Proceeds from sale of capital assets			
Capital contributions			
Other			
Net cash used by capital and related financing activities			<u>(20,890)</u>

Cash flows from investing activities

Purchases of investment securities			
Proceeds from sale of investment securities			
Interest and dividends earned on investment securities		1,421	
Net cash provided(used) by investing activities			<u>1,421</u>

Net increase(decrease) in cash and cash equivalents			<u>150,455</u>
Cash and cash equivalents at beginning of year			<u>147,857</u>
Cash and cash equivalents at end of year	\$		<u><u>298,312</u></u>

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		\$	<u>109,978</u>
Adjustments to reconcile operating income(loss) to net cash			
Depreciation/amortization	9,179		
Provision for uncollectible accounts			
Changes in assets and liabilities:			
(Increase)decrease in accounts receivable, net			
(Increase)decrease in due from other funds			
(Increase)decrease in prepayments			
(Increase)decrease in inventories			
(Increase)decrease in other assets			
Increase(decrease) in accounts payable and accruals	52,922		
Increase(decrease) in accrued payroll and related benefits	(945)		
Increase(decrease) in compensated absences payable	14,171		
Increase(decrease) in due to other funds			
Increase(decrease) in deferred revenues			
Increase(decrease) in other liabilities			
Net cash provided(used) by operating activities		\$	<u>185,305</u>

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	
Contributions of fixed assets	
Purchases of equipment on account	
Asset trade-ins	
Other (specify)	
Total noncash investing, capital, and financing activities:	<u>0</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2006

INTRODUCTION

The Louisiana State Board of Private Security Examiners (the Board) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:3270-3298. The following is a brief description of the operations of the Board, which includes the parish in which the Board is located:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Board present information only as to the transactions of the programs of the Board as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Board are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Board are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2006

	<u>APPROPRIATIONS</u>
Original approved budget	\$ 501,126
Amendments:	
Salaries and related benefits	34,346
Investigation	26,367
Capital outlay	30,915
Repairs and maintenance	7,185
Operating services	42,497
Final approved budget	\$ 642,436

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Board may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, and share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

Beginning in FY 2004, the implementation of GASB Statement 40 (which amended GASB Statement 3) eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2006

The deposits at June 30, 2006, consisted of the following:

	Cash	Certificates of Deposit	Other (Describe)	Total
Deposits in bank accounts per balance sheet	\$ <u>298,312</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>298,312</u>
Bank balances of Deposits Exposed to Custodial Credit Risk:				
a. Uninsured and uncollateralized	<u> </u>	<u> </u>	<u> </u>	<u> </u>
b. Uninsured and collateralized with securities held by the pledging institution	<u>206,409</u>	<u> </u>	<u> </u>	<u>206,409</u>
c. Uninsured and collateralized with securities held held by the pledging institution's trust department or agent, <u>but not in the entities name</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Bank Balances	\$ <u>306,409</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>306,409</u>

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

Banking institution	Program	Amount
1. Hancock Bank	Checking	\$ <u>306,409</u>
2. <u> </u>	<u> </u>	<u> </u>
3. <u> </u>	<u> </u>	<u> </u>
4. <u> </u>	<u> </u>	<u> </u>
Total		\$ <u>306,409</u>

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the Balance Sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the Balance Sheet.

Cash in State Treasury	\$ <u>0</u>
Petty cash	\$ <u>0</u>

2. INVESTMENTS N/A
3. DERIVATIVES N/A
4. CREDIT RISK N/A
5. POLICIES

The Board does not have a custodial credit risk policy.

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS N/A

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2006

D. CAPITAL ASSETS-INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets

	Year ended June 30, 2006					
	Balance 6/30/2005	Prior Period Adjustment	Adjusted Balance 6/30/2005	Additions	Transfers*	Retirements
Capital assets not being depreciated						
Land	90,000		90,000			
Non-depreciable land improvements						
Capitalized collections						
Construction in progress						
Total capital assets not being depreciated	90,000		90,000			
Other capital assets						
Furniture, fixtures, and equipment	59,147		59,147			18,165
Less accumulated depreciation	55,771		55,771	272		15,081
Total furniture, fixtures, and equipment	3,376		3,376	(272)		(3,104)
Buildings and improvements	356,270		356,270			
Less accumulated depreciation	44,535		44,535	8,907		
Total buildings and improvements	311,735		311,735	(8,907)		
Depreciable land improvements						
Less accumulated depreciation						
Total depreciable land improvements						
Infrastructure						
Less accumulated depreciation						
Total Infrastructure						
Total other capital assets	315,111		315,111	(9,179)		(3,104)
Capital Asset Summary:						
Capital assets not being depreciated	90,000		90,000			
Other capital assets, at cost	415,417		415,417			18,165
Total cost of capital assets	505,417		505,417			18,165
Less accumulated depreciation	100,306		100,306	9,179		15,081
Capital assets, net	405,111		405,111	(272)		3,104

E. INVENTORIES N/A

F. RESTRICTED ASSETS N/A

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2006

G. LEAVE

1. COMPENSATED ABSENCES

The Board has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. This liability for accrued payable compensatory leave at June 30, 2006 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60. 106 is estimated to be \$ 11,490. The leave payable is recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement System (LASERS) a single employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Board employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS.

Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) before July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006 are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after 7/1/2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, within qualifications and amounts define by statute. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. For the full description of the LASERS defined benefit plan, please refer to LASERS 2005 Financial Statements, specifically footnotes A- Plan Description and C-Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2006

4213, or by calling (225) 922-0608 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and is also available on-line at:
http://www.lasers.state.la.us/PDFs/Publications_and_Reports/Fiscal_Documents/Comprehensive_Financial_Reports/Comprehensive%20Financial%20Reports_05.pdf

Members are required by state statute to contribute 7.5% of gross salary, and the Board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2006, increased to 19.1% of annual covered payroll from the 17.8% and 15.8% required in fiscal years ended June 30, 2005 and 2004, respectively. The Board contributions to the System for the years ending June 30, 2005, 2004, and 2003, were \$54,744, \$40,119, and \$32,665, respectively, equal to the required contributions for each year.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS **N/A**

J. LEASES

1. OPERATING LEASES

The total payments for operating leases during fiscal year June 30, 2006 amounted to \$18,419.

2. CAPITAL LEASES **N/A**

3. LESSOR DIRECT FINANCING LEASES **N/A**

4. LESSOR - OPERATING LEASE **N/A**

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2006:

	<u>Year ended June 30, 2006</u>				
	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts due within one year
Bonds and notes payable:					
Notes payable	\$ 168,463	\$	\$ 20,890	\$ 147,573	\$ 22,495
Reimbursement contracts payable					
Bonds payable					
Total notes and bonds	<u>168,463</u>	<u></u>	<u>20,890</u>	<u>147,573</u>	<u>22,495</u>
Other liabilities:					
Contracts payable					
Compensated absences payable	24,475	2,681		27,156	
Capital lease obligations					
Liabilities payable from restricted assets					
Claims and litigation					
Other long-term liabilities					
Total other liabilities	<u>24,475</u>	<u>2,681</u>	<u></u>	<u>27,156</u>	<u></u>
Total long-term liabilities	<u>192,938</u>	<u>2,681</u>	<u>20,890</u>	<u>174,729</u>	<u>22,495</u>

L. CONTINGENT LIABILITIES **N/A**

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2006

M.	RELATED PARTY TRANSACTIONS	N/A	
N.	ACCOUNTING CHANGES	N/A	
O.	IN-KIND CONTRIBUTIONS	N/A	
P.	DEFEASED ISSUES	N/A	
Q.	COOPERATIVE ENDEAVORS	N/A	
R.	GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)	N/A	
S.	VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS	N/A	
T.	SHORT-TERM DEBT	N/A	
U.	DISAGGREGATION OF RECEIVABLE BALANCES	N/A	
V.	DISAGGREGATION OF PAYABLE BALANCES	N/A	
W.	SUBSEQUENT EVENTS	N/A	
X.	SEGMENT INFORMATION	N/A	
Y.	DUE TO/DUE FROM AND TRANSFERS	N/A	
Z.	LIABILITIES PAYABLE FROM RESTRICTED ASSETS	N/A	
AA.	PRIOR-YEAR RESTATEMENT OF NET ASSETS	N/A	
BB.	NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46)	N/A	
CC.	IMPAIRMENT OF CAPITAL ASSETS	N/A	
DD.	EMPLOYEE TERMINATION BENEFITS	N/A	

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2006

Description of Funding	Amount
1. _____	\$ _____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u>0</u>

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
June 30, 2006**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
		\$	\$	\$	\$		\$
Total		\$ 0	\$ 0	\$ 0	\$ 0		\$ 0

***Send copies of new amortization schedules**

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF NOTES PAYABLE
JUNE 30, 2006

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/05	Redeemed (Issued)	Principal Outstanding 6/30/06	Interest Rates	Interest Outstanding 6/30/06
#1	06-01-01	\$241,000	\$168,463	\$	\$ 147,573	9.5%	\$ 0
Total		<u>\$241,000</u>	<u>\$168,463</u>	<u>\$</u>	<u>\$ 147,573</u>		<u>\$ 0</u>

SCHEDULE 3-B

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF BONDS PAYABLE
June 30, 2006

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/05	Redeemed (Issued)	Principal Outstanding 6/30/06	Interest Rates	Interest Outstanding 6/30/06
		\$	\$	\$	\$		\$
Total		\$ 0	\$ 0	\$ 0	\$ 0		\$ 0

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2006

Fiscal Year Ending:	Principal	Interest
2007	\$ _____	\$ _____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
Total	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE 4-A

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2006

Fiscal Year Ending:	Payment	Interest	Principal	Balance
2007	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u> --
2008	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
2009	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
2010	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
2011	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
2012-2016	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
2017-2021	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
2022-2026	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
20267-2031	<u> </u>	<u> </u>	<u> </u>	<u> </u> --
Total	\$ <u> 0 </u>	\$ <u> 0 </u>	\$ <u> 0 </u>	\$ <u> 0 </u>

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For The Year Ended June 30, 2006

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ _____	\$ _____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012-2016	_____	_____
2017-2021	_____	_____
2022-2026	_____	_____
2027-2031	_____	_____
Total	\$ <u>0</u>	\$ <u>0</u>

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2006

Fiscal Year		
Ending:	Principal	Interest
2007	\$ 22,495	\$ 15,147
2008	24,729	12,913
2009	29,565	8,077
2010	32,916	4,726
2011	35,033	2,609
2012	2,835	302
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
Total	\$ 147,573	\$ 43,774

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES
BUDGETARY COMPARISON OF CURRENT APPROPRIATION
NON-GAAP BASIS
JUNE 30, 2006

	Financial Statement	Adjustments	ISIS Appropriation Report-08/14/05	Revised Budget	Variance Positive/(Negative)
Operating Revenues:					
Intergovernmental Revenues	\$	\$	\$	\$	-
Sales of Commodities and Services					-
Other					-
Total Operating revenues		-			-
Operating Expenses:					
Personal services	\$	\$	\$	\$	-
Travel					-
Operating Services					-
Supplies					-
Professional services					-
Capital outlay					-
Interagency transfers					-
Other charges					-
Total Operating Expenses		-			-
Nonoperating Expenses:					
Use of Money and Property					-
Gain (Loss) on Disposal of Fixed Assets					-
Federal Grants					-
Interest Expense					-
Other					-
Total Nonoperating Expenses		-			-
Capital Contributions					-
Operating Transfers In					-
Operating Transfers Out					-
Change in Net Assets	\$	\$	\$	\$	

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES
BUDGETARY COMPARISON OF CURRENT APPROPRIATION
NON-GAAP BASIS
JUNE 30, 2006

Budgeted Income (Loss)	\$ _____
Reconciling items:	
Cash carryover	_____
Depreciation	_____
Payroll accrual	_____
Compensated absences adjustment	_____
Capital outlay	_____
Change in inventory	_____
Bad debts expense	_____
Prepaid expenses	_____
Principal payment	_____
Loan Principal Repayments included in Revenue	_____
Loan Disbursements included in Expenses	_____
Accounts receivable adjustment	_____
Accounts payable/estimated liabilities adjustment	_____
Other	_____
Change in Net Assets	\$ _____

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS

Budget Schedule No. _____ Cash Basis
Schedule of expenditures of Federal Awards
For the Year Ended June 30, 2006

Preparer: _____

Phone Number: () - _____

NOTE: If other than cash basis,
please attach description of basis used.

DUNS Number: _____
EIN Number: 72- _____

Federal Grantor	Pass-Through Entity	Program Name/Title and Cluster Name	CFDA or Other Identifying No.	Pass-through Entity's Number	Project Name	Award ID Number	Award Period	Cash		Receipts/Issues	Total
								Disbursements			
Direct Awards:											
								\$		\$	\$
								\$		\$	\$
Awards from a Pass-Through Entity:											

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS

Preparer: _____

Phone Number: () - _____

DUNS Number: _____

EN Number: 72- _____

Loan Information (If applicable):

Federal Grantor	Program Name/Title and Cluster Name	CFDA or Other		Project Name	Outstanding Loan Balance
		Identifying No.			
					\$ _____

Total \$ _____

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>2006</u>	<u>2005</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 762,599	\$ 555,165	\$ 207,434	37.4
Expenses	658,195	594,820	63,375	10.7
2) Capital assets	392,828	405,111	(12,283)	(3.0)
Long-term debt	147,573	170,338	(22,765)	(13.3)
Net Assets	430,169	325,765	104,404	32.0
Explanation for change:				

INSTRUCTIONS FOR THE SIMPLIFIED STATEMENT OF ACTIVITIES

Expenses - include all expenses, both operating and non-operating.

Program Revenues - include revenues derived from the program itself. These revenues reduce the net cost of the BTA's activities that must be financed from its general revenues. Program revenues should be reported in the following three categories:

Charges for services - include revenues based on exchange or exchange-like transactions. (An exchange transaction is one in which each party receives and gives up essentially equal values.) These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include fees charged for specific services.

Operating grants and contributions - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program and that may be used **either for operating or capital expenses** at the discretion of the BTA. (A non-exchange transaction is one in which an entity gives or receives value without directly receiving or giving equal value in return.)

Capital grants and contributions - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program and that are **restricted for capital purposes only** - to purchase, construct, or renovate capital assets associated with a specific program.

Net (Expense) Revenue - Program revenues minus expenses.

General Revenues - all revenues are general revenues unless they are specifically required to be reported as program revenues.

Taxes - include all taxes received here, as all are considered general revenues, even those levied for a specific purpose.

State appropriations - include warrants drawn during the fiscal year and the 13th period, plus 14th period if applicable.

Grants and contributions not restricted to specific programs - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations or individuals that are not restricted to a specific program.

Interest - any interest earned that is not required to be reported as program revenue (earnings on investments legally restricted to use by a specific program should be reported as program revenue).

Miscellaneous - any general revenues that do not specifically fall under one of the categories listed.

Special Items - are significant items subject to management's control, that meet one of the following criteria:

1) unusual in nature - possessing a high degree of abnormality and clearly unrelated or only incidentally related to the ordinary and typical activities of the entity.

2) infrequent in occurrence- not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

Extraordinary items - are both significant in nature and infrequent in occurrence.

Transfers - All Interfund activities involving the flow of resources between funds.

Change in net assets - net (expense) revenue plus general revenues and special items.

Net assets - beginning - net assets at the beginning of the fiscal year.

Net assets - ending - beginning net assets plus change in net assets.

**INFORMATION FOR NOTE C "DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS"
(GASB Statement 3 Amended by GASB Statement 40)**

I. Purpose:

Note C provides the required disclosures about the governmental entities' deposits with financial institutions and investments. The disclosures required for deposits and investments as of the fiscal year ended date provides information about the credit risk and market risk of the deposits and investments and are designed to provide users of the financial statements information about the potential for losses associated with the deposits and investments. GASB Statement 40 has modified or eliminated portions of GASB Statement 3 including:

- modified the custodial credit risk disclosures of Statement 3 for deposits and investments to limit the required disclosure to only those exposed to custodial credit risk (similar to GASB 3's category 3).
- established or modified disclosure requirements related to concentrations of credit risk of investments, credit risk of debt investments, and interest rate risks of debt investments (including sensitivity to changes in interest rates), and
- established disclosure requirements for foreign currency risks for both deposits and investments.

Although GASB Statement 40 eliminated some of the disclosures required for custodial credit risk (the 3 categories for example), the total reported amounts of all deposits and investments must still be reported.

II. Comparison of amounts disclosed per requirements in Note C to amounts shown on the Balance Sheet (if Balance Sheet is required as part of AFR packet):

- Generally, the amounts of cash and investments on the balance sheet will not be classified exactly the way they would be classified in Note C.
- "Deposits with Financial Institutions" and "Investments" in Note C may be reported on the balance sheet using titles or line items that are different than those in Note C, or they may be combinations of titles or line items. For instance, "Deposits" in Note C may come from several line items on the balance sheet such as "Cash in Bank" and "CD's", or even "Investments" (See section III below that gives further guidance on what should be considered "Deposits" in note C).
- Line items on the balance sheet may include amounts that would be deposits in Note C, and may also include amounts that would be investments in Note C. Also, cash and cash equivalents line items on the balance sheet may include amounts that are not deposited in bank accounts of the entity and therefore would not be reported in Note C as deposits but as separate line items such as petty cash, cash on hand, and treasury cash. These amounts must be reported separately from the deposits in Note C.
- Each line item on the balance sheet that involves cash or investments, including any restricted cash and/or investments, needs to be analyzed to determine what is included in the item and how it should be disclosed in Note C.

III. "Deposits with Financial Institutions" section of Note C:

- Generally, this section of the Note C disclosure refers to the various examples of "Deposits with Financial Institutions" (See "A" below for examples). The term "cash and cash equivalents" is used in reference to GASB Statement 9 that affects presentation for the balance sheet and statement of cash flows, not the note disclosures required by GASB Statement 3 & 40. "Deposits with Financial Institutions" include deposit accounts in banks, savings and loan associations, and credit unions. They can be demand, savings, or time accounts, including negotiable order of withdrawal (NOW) accounts and non-negotiable CD's. As stated previously, deposits for Note C may be a combination of balance sheet line items or titles.
- Do not include treasury cash, petty cash not in a bank account, or cash on hand in Note C as part of the deposits in bank accounts. As mentioned previously, these amounts would be reported separately.

A. Examples and/or definitions:

Nonnegotiable Certificates of Deposit – Nonnegotiable CDs are time deposits that are placed by depositors directly with financial institutions and generally are subject to a penalty if redeemed before maturity. These are treated as deposits for GASB 3 Note C disclosures. (Negotiable CDs are securities that are normally sold in \$1 million units that are traded in a secondary market. These are treated as investments for Note C disclosures.)

Money Market Accounts – financial institution “money market” accounts are simply deposits that pay interest at a rate set to make the accounts competitive with money market mutual funds. They should be treated like any other deposit account for Note C disclosures.

Bank Investment Contracts (BICs) – A BIC is a general obligation instrument issued by a bank, typically to a pension plan, that provides for a guaranteed return on principal over a specified period. Since these are issued by a bank, they are treated as deposits for Note C disclosures.

B. Other definitions as applied to deposits:

Insured (Insurance) – deposits are insured by federal deposit insurance (FDIC), state deposit insurance, multiple financial institution collateral pools that insure public deposits, and even commercial insurance (if scope of coverage would be substantially the same as FDIC).

Collateral – Security pledged by a financial institution to a government entity for its deposits.

IV. “Investments” section of Note C:

- Types of investments for listing investments by type definitions/examples:
 1. Repurchase Agreements – An agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
 2. U.S. Government Obligations – examples include treasury bills, treasury notes and treasury strips; obligations of certain U.S. Government Agencies such as FNMA, FHLB, or SLMA.
 3. Common & Preferred Stock – a security that represents an ownership interest in an entity.
 4. Commercial Paper (mortgages, notes, etc.) – An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. Almost all commercial paper is rated as to credit risk by rating services.
 5. Corporate Bonds
 6. Other (identify) – It is not appropriate to present material amounts of investments as “Other”, unless the note disclosure describes the composition of the “Other” category. The following are examples of other investments:
 - a. Closed-end Mutual Fund – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. A closed-end mutual fund has a constant number of shares, the value depends on the market supply and demand for the shares rather than directly on the value of the portfolio, the fund does issue certificates, and the securities are traded on a stock exchange.
 - b. Open-end Mutual Funds – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. In contrast to a closed-end mutual fund, the open-end mutual fund creates new shares to meet investor demand, the value depends directly on the value of the portfolio, and the fund does not issue certificates but sends out periodic statements showing account activity. These investments are not evidenced by securities that exist in physical or book entry form.
 - c. Reverse Repurchase Agreements - An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
 - d. Investments in pools managed by another government - Generally, these investments would not be exposed to custodial credit risk because the investments themselves are not evidenced by securities that exist in physical or book entry form.
 - e. Private placements, such as venture capital and limited partnerships
 - f. Investments in real estate, annuity contracts, and direct investments in mortgages

V. Risk Disclosures for Deposits and Investments:

- Deposits and investments are subject to several types of risks, mainly credit risk, market risk, interest rate risk, and foreign currency risk.

Credit risk - defined as the risk that a counterparty to an investment transaction will not fulfill its obligations and can be associated with the issuer of securities, with a financial institution holding deposits, or with a party holding investment or collateral securities.

Concentration of credit risk - defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Market risk - defined as the risk that the market value of investment securities, collateral securities protecting a deposit, or securities of a repurchase agreement will decline.

Interest rate risk - defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Foreign currency risk - defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

A. Custodial Credit Risk Disclosures for Deposits:

Following GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who holds the collateral and how the collateral is held.

Collateral - Securities pledged by the financial institution for the purpose of securing the governmental entity's deposits.

Collateralized - When the entity's deposits are secured with securities pledged by the financial institution holding the deposits.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all deposits by the 3 categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

B. Custodial Credit Risk Disclosures for Investments:

Following GASB Statement 3, investments (listed by type) were either classified into three categories (depending on whether they are insured or registered and who holds the securities and how they are held), or listed as non-classified investments.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by the 3 categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. However, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

C. Additional Risk Disclosures for Required by GASB Statement 40:

Credit Risk - Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end. All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

Interest Rate Risk - Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years of those investments. In addition, list the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (e.g. coupon multipliers, reset dates, etc.).

Concentration of Credit Risk - List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments.

Foreign Currency Risk - Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List these by currency denomination and investment type, if applicable.

Deposits and Investments Policies Relating to Risk - Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, that fact should be stated.

VI. Securities as Applied to Credit Risk of Deposits and Investments:

Securities defined - a transferable financial instrument that evidences ownership or creditorship. Securities can be in either paper or book-entry form.

1. Examples of securities that are often held by or pledged to (as collateral) governmental entities include:

- a. treasury bills, treasury notes, treasury bonds
- b. federal agency obligations
- c. corporate debt instruments (including commercial paper)
- d. corporate equity instruments
- e. negotiable CD's (keyword here is negotiable)
- f. bankers' acceptances
- g. shares of closed-end mutual funds (keyword here is closed-end)
- h. shares of unit investment trusts

2. Instruments or investments that are not securities include:

- a. investments made directly with another party (such as limited partnerships)
- b. real estate
- c. direct investments in mortgages and other loans
- d. investments in open-ended mutual funds (keyword here is open-ended)
- e. pools managed by other governments
- f. annuity contracts

INFORMATION FOR NOTE BB. - NET ASSETS RESTRICTED BY ENABLING LEGISLATION**Summary of GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation*****Introduction**

The purpose of this GASB Statement 46 is to clear up a confusing area of GASB Statement 34 by giving a more clear definition of enabling legislation and legally enforceability and giving better guidance on how it should be reflected in net assets. The goal is to reduce the difficulty of interpreting the requirement in GASB 34 that the restrictions of net assets be "legally enforceable". This statement specifies the reporting requirements if new enabling legislation replaces existing enabling legislation, or if the legal enforceability evaluation changes. Further, the statement requires that governments disclose the portion of total net assets that is restricted by enabling legislation in the notes to the financial statements.

Enabling Legislation

Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources from external providers. In addition, it includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Legal Enforceability

Per Statement 46, legal enforceability means that a party external to the government (citizens, public interest groups, judiciary) can compel the government to use the resources created by enabling legislation only for the purposes specified by the legislation. What is considered legally enforceable is a matter of professional judgment. Since enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur, the determination should be based on the facts and circumstances surrounding each individual restriction. A "blanket" or general determination regarding the legal enforceability of enabling legislation should not be used.

New Enabling Legislation Replacing Original Enabling Legislation

If new enabling legislation replaces original enabling legislation by establishing new legally enforceable restrictions on the resources raised by the original legislation, then the resources accumulated from that period forward should be reported as restricted for that purpose. However, existing resources accumulated under the original enabling legislation could be restricted for the original purpose, restricted for the purpose specified in the new legislation, or unrestricted. This determination would be a matter of professional judgment.

Reevaluation of Legal Enforceability

If resources are used for a purpose other than the purpose stipulated in the enabling legislation or some other factor causes a reconsideration, then the legal enforceability of those restricted resources should be reevaluated to determine if they should continue to be reported as restricted. If the reevaluation results in a determination that the restriction is no longer enforceable, then report the resources as unrestricted from the beginning of that period forward. If it is determined that the restrictions are still legally enforceable, then continue to report those resources as restricted net assets.

Note Disclosure Required

Governments should disclose the portion of total net assets that is restricted by enabling legislation at the end of the reporting period in the notes to the financial statements.

Effective Date and Transition

The requirements are effective for fiscal year ended June 30, 2006. The accounting changes adopted in applying this statement should be applied retroactively by reclassifying net asset information in the financial statements for all prior periods presented. In the first period the statement is applied, disclosure should be made of the nature of any reclassification and its effect. Also, an explanation of the reason for not reclassifying net assets for prior periods should be explained.

INFORMATION FOR NOTE CC: IMPAIRMENT OF CAPITAL ASSETS

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. GASB 42, paragraph 9 outlines five (5) common "indicators of impairment." They are:

- 1) Evidence of physical damage, such as for a building damaged by fire or flood, when the level of damage is such that restoration efforts are needed to restore service utility.
- 2) Enactment or approval of laws or regulations or other changes in environmental factors, such as new earthquake standards that a facility does not meet, and cannot be modified to meet.
- 3) Technological development or evidence of obsolescence, such as that related to a major piece of diagnostic or research equipment.
- 4) A change in the manner or expected duration of use of a capital asset, such as closure of a building prior to the end of its useful life.
- 5) Construction stoppage, such as stoppage of construction as a result of a lack of funding.

Damaged assets can be separated into the following categories:

1. assets that will not be returned to service
2. assets temporarily out of service due to needed repairs, restoration, or recertification
3. assets remaining in service but needing repair
4. assets damaged that will continue to be used that will not be repaired

If the assets are going to be restored (category 2 and 3), then they need to be evaluated for impairment per GASB 42. If the assets will no longer be used (category 1) or will not be repaired (category 4), then an impairment loss per GASB 42 does not need to be calculated for those assets.

For assets impaired by physical damage, the restoration cost approach should be used to calculate the impairment loss. Under this approach, the amount of the impairment loss is derived from the estimated costs to restore the utility of the capital asset. According to the standard, an asset is not considered impaired unless its decline in service utility is significant; therefore, OSRAP has established impairment thresholds for assets impaired by physical damage. In order for an asset to be considered impaired by physical damage, the restoration cost (estimated restoration cost if the asset is not fully restored) of the impaired asset must be equal to or greater than the following:

Infrastructure	\$3 million per agency, per year
Building	Greater of \$100,000 or 20% of the capitalized cost of the building
Movable Property	Greater of \$20,000 or 20% of the capitalized cost of the asset

Infrastructure - The capitalization threshold of \$3 million should be used for infrastructure impaired by physical damage as the test of whether the magnitude in the decline in service utility is significant. Infrastructure will only be considered impaired if the total estimated restoration costs are equal to or greater than the capitalization threshold for infrastructure, or \$3 million per agency, per year. An impairment loss would be calculated on all infrastructure impaired during that year, regardless of the actual dollar value of the restoration cost of each individual infrastructure asset.

Buildings - The greater of the capitalization threshold, \$100,000, or 20 percent of the capitalized costs of the building impaired by physical damage should be used as the test of whether the magnitude in the decline in service utility is significant. If the cost to restore the building is lower than the capitalization threshold or 20 percent of the capitalized cost of the impaired building (whichever is higher), we will not consider the "magnitude in the decline in service utility is significant" component of the impairment test to be met. If, however, the building's restoration costs are equal to or greater than the capitalization threshold or equal to or greater than 20 percent of the capitalized costs of the impaired building (whichever is higher), and the building's decline in service utility is "unexpected", we will conclude that the asset has met the impairment test criteria, and is impaired. Note: According to the provisions of GASB 42, an asset is impaired when there is a "significant" and "unexpected" decline in the service utility of a capital asset.

Movable property - For movable property, the impairment threshold is set at \$20,000. In addition, the greater of the impairment threshold for movable property, \$20,000, or 20 percent of the capitalized cost of the movable property should be used as the test of whether the magnitude in the decline in service utility is significant. If the cost to restore the movable property is equal to or greater than the impairment threshold, \$20,000, or 20 percent